

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 595 – HB 664

March 12, 2017

SUMMARY OF ORIGINAL BILL: Enacts the “Interstate Medical Licensure Compact.” Streamlines the application process for physicians to become licensed in multiple states. Requires participating physicians to designate one state as their principle practice site. Requires two voting representatives be appointed by each state. Maintains state medical board’s authority over physician’s practices of medicine and their ability to issue disciplinary actions. Requires all courts to take judicial notice of the Compact and the rules in any judicial or administrative proceeding in a member state. Outlines a process of withdrawal from the Compact and states the withdrawing state is responsible for all dues, obligations, and liabilities incurred through the effective date of withdrawal. Effective July 1, 2018.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$8,200/FY18-19/TBI
\$100,000/FY18-19 and Subsequent Years/General Fund
\$177,500/FY18-19 and Subsequent Years/Division of
Health Related Boards

Increase State Expenditures - \$8,200/FY18-19/TBI
\$151,500/FY18-19/Department of Health
\$67,200/FY19-20 and Subsequent Years/Division of
Health Related Boards

Other Fiscal Impact – The Board of Medical Examiners (BME) and the Board of Osteopathic Examination (BOE) are required to be self-supporting. As a result, any substantial increase in expenditures occurring pursuant to paying assessment fees to join the Compact may result in a subsequent increase in licensure fees in order to offset any increased expenditures. The BME had a cumulative reserve balance of \$3,041,785 on June 30, 2016 and the BOE had a cumulative reserve balance of \$713,249 on June 30, 2016.

SUMMARY OF AMENDMENT (004067): Changes the effective date from July 1, 2018, to January 1, 2019.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

\$8,200/FY18-19/TBI
\$50,000/FY18-19/General Fund
\$100,000/FY19-20 and Subsequent Years/General Fund
\$88,800/FY18-19/Division of Health Related Boards
\$177,500/FY19-20 and Subsequent Years/Division of Health Related Boards

Increase State Expenditures –

\$8,200/FY18-19/TBI
\$117,900/FY18-19/Division of Health Related Boards
\$67,200/FY19-20 and Subsequent Years/Division of Health Related Boards

Other Fiscal Impact – The Board of Medical Examiners (BME) and the Board of Osteopathic Examination (BOE) are required to be self-supporting. As a result, any substantial increase in expenditures occurring pursuant to paying assessment fees to join the Compact may result in a subsequent increase in licensure fees in order to offset any increased expenditures. The BME had a cumulative reserve balance of \$3,041,785 on June 30, 2016 and the BOE had a cumulative reserve balance of \$713,249 on June 30, 2016.

Assumptions for the bill as amended:

- As of January 2017, 18 states are participating in the Compact.
- There are four meetings scheduled in 2017, two of which are teleconference meetings. The Compact bylaws state that Commissioners, the two voting representatives of each state, will be reimbursed for any actual and necessary expenses incurred for attendance at all duly convened meetings of the Commission or its committees as provided by the Compact.
- Currently, only the administrative processes are being implemented to begin the expedited licensure process. A target goal had been set for January 2017; however, currently no licenses have been issued by the Compact.
- The proposed legislation has an effective date of January 1, 2019.
- Based on information provided by the Department of Health (DOH), the proposed legislation will increase physician applicant volume and drastically alter the Board of Medical Examiners and the Board of Osteopathic Examination staff's current licensure processes.
- The Division of Health Related Boards licensing system (LARS) requires a one-time upgrade to receive electronic applications from the Commission. The one-time increase in expenditures associated with the upgrade is estimated to be \$80,000.
- One Administrative Assistant 3 is required to verify and process the additional licenses.

- The one-time increase in state expenditures associated with this position is estimated to be \$4,300 (\$1,600 computer costs + \$2,700 office furniture).
- The recurring increase in state expenditures associated with this position is estimated to be \$67,194 (\$43,200 salary + \$14,094 benefits + \$7,900 administrative cost + \$1,400 communication cost + \$600 supplies). Due to the effective date of January 1, 2019, the first year (FY18-19) increase in state expenditures is estimated to be \$33,597 (\$67,194 x 50.0%).
- The total increase in state expenditures to the Division of Health Related Boards is estimated to be \$117,897 in FY18-19 (\$80,000 + \$4,300 + \$33,597) and \$67,194 in FY19-20 and subsequent years.
- There are approximately 22,000 licensed physicians in Tennessee. Approximately 17,000 live in state and approximately 5,000 live out of state.
- In 2016, approximately 2,500 physicians applied for a license in Tennessee.
- Tennessee charges a \$410 application fee for licensure as a medical doctor.
- Assuming 10 percent of physicians living outside of Tennessee, or 250 (2,500 x 0.10) physicians, choose to be licensed through the Compact in Tennessee, the recurring increase in revenue is estimated to be \$102,500 (250 x \$410). Due to the effective date of January 1, 2019, the first year (FY18-19) increase in state revenue is estimated to be \$51,250 (\$102,500 x 50.0%).
- The Interstate Commission is responsible for providing and administering a process to collect service and licensure fees from the applicant and remitting these fees to the member boards and the Interstate Commission. Any fees collected by the Interstate Commission must be disbursed to member boards at least every 30 days.
- The Commission requires a non-refundable service fee of \$700 for an application for a letter of qualification to be paid by each applicant. Of the \$700 service fee, \$300 goes to the applicant's state of principal licensure and \$400 goes to the Interstate Commission's general fund.
- The recurring increase in state revenue associated with the application for a letter of qualification is estimated to be \$75,000 (250 physician applicants x \$300). Due to the effective date of January 1, 2019, the first year (FY18-19) increase in state revenue is estimated to be \$37,500 (\$75,000 x 50.0%).
- The total increase in state revenue to the Division of Health Related Boards is estimated to be \$88,750 (\$51,250 + \$37,500) in FY18-19; and the recurring increase in state revenue is estimated to be \$177,500 (\$102,500 + \$75,000) in FY19-20 and subsequent years.
- The Commission requires each member board to perform a criminal background check in the course of verifying eligibility. The criminal background check fee is to be paid by the applicant.
- Based on information from the Tennessee Bureau of Investigation, the TBI will collect one-time revenue and incur one-time expenditures of \$32.65 for each background check conducted in FY18-19 for totals of \$8,163 (250 x \$32.65).
- Licensed physicians in Tennessee are required to pay a once per year professional privilege tax in the amount of \$400.
- The total recurring increase in state revenue associated with the professional privilege tax is estimated to be \$100,000 (250 x \$400). One hundred percent of this revenue is

deposited in the General Fund. Due to the effective date of January 1, 2019, the first year (FY18-19) increase in state revenue is estimated to be \$50,000 (\$100,000 x 50.0%).

- The proposed legislation will result in the Boards being required to pay an annual assessment, in conjunction with other member states, to cover the operations and activities of the Interstate Commission and its staff.
- Pursuant to Tenn. Code Ann. § 4-29-121, all health related boards are required to be self-supporting over a two-year period. The Board of Medical Examiners had an annual surplus of \$359,446 in FY14-15, an annual surplus of \$382,952 in FY15-16, and a cumulative reserve balance of \$3,041,785 on June 30, 2016.
- Pursuant to Tenn. Code Ann. § 4-29-121, all health related boards are required to be self-supporting over a two-year period. The Board of Osteopathic Examination had an annual surplus of \$72,782 in FY14-15, an annual surplus of \$102,565 in FY15-16, and a cumulative reserve balance of \$713,249 on June 30, 2016.
- Any increase in court cases can be accommodated within existing judicial resources without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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